

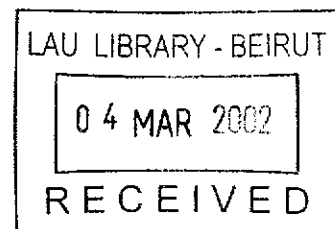
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THE IMPACT OF THE ACTIVITIES
OF THE BEIRUT PORT FREE ZONE ON BALANCE OF TRADE,
MARINE TRAFFIC AND UNEMPLOYMENT IN LEBANON
(1975 - 1984)

A Research Topic
Presented to Business Division
Beirut University College

In Partial Fulfillment
of the Requirements for the Degree
Master of Science in Business
Management

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ABSTRACT

Though the Free Zone of Beirut was created almost half a century ago, it only began its real function a short while after the end of the Second World War when international trade resumed once again its normal movement.

The Free Zone definitely helped and influenced the economy in giving many advantages to its different sectors. Transit to the neighbouring Arab countries, for instance, was much encouraged. Trade increased and the Free Zone became an international market, a warehousing and distribution center.

Manufacturers took advantage of cheaper raw materials available at the Free Zone, set up installations to compete with foreign produced goods imported to the Arab world and to Africa. Businessmen have been much encouraged to increase their imports, due to the re-exportation facilities in case the Lebanese market failed to absorb the whole imported lot. Others, who did not have the required capital to import, were given the opportunity to choose any quantity, however small, from a wide line of products in the Free Zone. Transport, with the availability of return cargo, became cheaper and more regular, this to the profit of the whole economy.

At least, because of the intense traffic created by the Free Zone until the year 1975, more income is accruing

to the port company as well as to the employment sector of the economy. In general, all of the above mentioned factors added up to a net increase in the national economy of the country before the year 1975, while from 1975 and on the same factors mentioned, become a burden on the net worth of the country's national economy and specially with respect to traffic, unemployment balance of trade, industry at the Free Zone.

CHAPTER ONE

INTRODUCTION

The decrease in the Free Zone traffic is affected by the political and economic instability. The Lebanese economy have suffered a recession after the events of 1982. In addition to this the defective transport system both rail and road, which if not revised will lead the Free Zone to a worse situation in the future. This might create a serious competition from the neighbouring ports mainly Latakia, Akaba and Limassol. A regional policy if achieved could preserve the activity of the Free Zone and transit in the port of Beirut by the restoration of peace in Lebanon.

Importance and Validity

Good means of transport are essential to the development of industry and commerce. If trade is to be conducted on a large scale, cheap and rapid transport facilities must be available. The availability of such facilities contributes greatly to the welfare of a nation and its economic prosperity.

In Lebanon, of the several means of transportation road, sea, air and rail. The sea transport constitute an important segment of the transport sector due to the importance of the port of Beirut and its Free Zone. Its geographical position creates many facilities for

the importation and exportation of merchandise to and from Lebanon and the Middle Eastern Countries. In dealing with the Beirut Free Zone, We will be analyzing its direct effect on trade through the port of Beirut with special reference to the Lebanese economy as a whole. The creation of the Free Zone has given to the port of Beirut its traditional role; that of being the door to Asia and a bridge to the Orient.

The most important effect of the Free Zone of Beirut port on trade has been the increase in the volume of trade and the contribution to the national income of the country. The Free Zone was well-equipped with the necessary facilities to undertake manufacturing warehouses and a distribution area. It has become an international market for all kinds of merchandise, where foreign customers choose the articles they are interested in. Moreover, it provides re-exportation facilities which in turn encourage businessmen to increase the volume of their imports.

A detailed statistical analysis of the Free Zone's operations reveals many interesting facts. The volume of traffic in the Free Zone increased until 1958, a year of local civil war. After 1958, it started to recover its movement until the second civil war that broke out in 1975. The reasons for the decrease of traffic are not structural defects in the Free Zone. It has been

caused mainly by the political instability in the area which is reflected on the lebanese political situation, and the competition of the newly established ports in Syria, Jordan and the Gulf. The decline has also been due to a poor transport system serving the hinterland.

Statement of the Problem

Lebanon is of great importance to other Arab countries with respect to services and trade, which constitute an important segment of the national economy. Before the beginning of the civil war, Lebanon was considered to be a link between the West and the Middle East through the port of Beirut and the Free Zone. This was reflected positively in its balance of trade and balance of payments.

The closure of the Free Zone and the transit area was the major problem created by the civil war events. This problem increased through the years of the war and reached its climax by the end of 1984 when the balance of payments marked a deficit. Statistical studies show the deterioration of the balance of trade over the years extended from 1975 - 1984.⁽¹⁾

(1) No data is obtained after 1984. This reasearch studies a period of 20 years from 1965 - 1984.

Problem Questions

- 1- What has been the effect of the Free Zone on the Lebanese economy?
- 2- What has the effect of the closure of the Free Zone on the balance trade?
- 3- What was the effect of the closure of the Free Zone on marine traffic, tonnage loaded and unloaded and the transit movement?
- 4- How did the closure of the Free Zone affect unemployment?
- 5- What was the condition of the Free Zone before the war?

Statement of the Purpose

The purpose of this project is to collect and analyse data about the Free Zone. It is essential to study the factors which contributed to its growth and development prior to the outbreak of civil strife in 1975, and to reveal the impact of the closure of the Free Zone on the Lebanese economy.

Performance Objectives

Data will be selected and analysed for the period from the beginning of the civil war until the end of 1984. All of these data will attempt to answer the problem questions listed earlier. The data from the

earlier period up to 1975 and the later period 1975 - 1984 are compared and the results interacted to support the hypothesis of the research. In addition to this comparison are made and related interpretations will serve as the basis for recommendations regarding actions to be taken, and for future research to be performed on this subject.

Definition of Terms

This section is devoted to defining both terms Free Zone and free port. These phrases must be explained to help the reader understand the project. Though they have, in many ways almost the same functions, Free Zones and free ports are different in their concepts.

Free Zone.

A Free port is defined as: "a zone within a harbor where goods may be admitted temporarily without being subject to customs inspections, or import duty, pending reshipment to other ports, or pending later admission to the hinterland, at which time, the customs authorities exercise their powers". Even commercial and manufacturing processes are carried on in some Free Zones in which case duties may become payable on the raw material imported. (2)

(2) Encyclopedia Americana, Vol. XII, (N.Y, 1959) p.436

Another definition more detailed than the first, is given by the United States tariffs commission as follows: "A Free Zone may be defined as an isolated enclosed and policed area in or adjacent to a port of entry, without population, furnished with the necessary facilities for loading and unloading, for supplying fuel and ship's stores, for storing goods and reshipping them by land and sea, an area within which goods may be landed, stored, mixed, blended, repacked, manufactured and reshipped without payment of duties and without the intervention of customs officials.

According to the latter definition the modern Free Zone is an area of a port separated from the customs by a wall, fence or stockade. The goods may be handled, manufactured, and reshipped without any customs duties, supervision or intervention. Moreover, all the port facilities are present in the Free Zone as, for instance the storage of goods, warehousing facilities, transport facilities within their Zone, supplying the water and the fuel and sometimes repair requirements for ships.

A Free Zone normally operates under the following conditions: first, it is subject to all the usual laws concerning the mother country, except, of course, customs duties. Though the customs do not interfere within the Free Zone, the area is within the jurisdiction of customs authorities. It is free only, with respect to the

application of the customs formalities whenever a violation of the law takes place, the customs authorities have jurisdiction.

Second, the Free Zone accepts all the legally admissible merchandise from all nations with a minimum of customs and procedures. All customs inquiry occurs at the surrounding wall of the Free Zone but never within.

Third, extensive retail trade is not permitted, nor on the spot consumption, however, exhibitions of merchandise are possible. No residents are ever allowed in the Free Zone. Only watchman have temporary quarters. As far as the ownership and management is concerned it should be managed either by the government or by a company controlled by local government.

Free Port.

A Free Port is defined as: it is merely a harbour where goods may be transshipped without being subject to usual customs duties inspection or embrage, and where commercial and manufacturing processes are sometimes also permitted. (3) It can be said in general that the common Free Port has the same functions of the Free Zone as far as regulations and rules are concerned. The Free Zone, however, constitutes a port within a harbour. It may be

(3) Colliers Encyclopedia, Vol.8, (N.Y, 1959) p.415

one building as well as more than half of the port area, where as the free port constitutes the whole harbour area; i.e. the whole port.

This definition of the free port concerns the common type of free port, the one which is incorporated into a highly industrialized nation having a good protective tariff system. The primary purpose of a free port situated in an industrialized nation is to facilitate consignment and transshipment trade. It is a system designed to remove from a port the hindrance caused by high tariffs and complex regulations.

There are, however, two other kinds of free ports. The free port form of overseas possessions and the free port form of independent nations. The function of the free port of the overseas possessions may be defined as "accumulating foreign merchandise for home consumption, for redistribution and for ships provisions, and of marketing home produced merchandise." (4) They are, in other words, primarily points of transshipment legally, however, they are colonies occupying rather small areas and characterized by import tariffs on only a few commodities such as liquor, tobacco and gasoline. Under such conditions the entire colony becomes a potential free port form. (5) The primary condition of

(4) Richard Thoman, The Free Port and Foreign Trade Zone, (Cambridge: Cornell Maritime Press, 1956) p.10

(5) Ibid.

success for such a free port form is its location. It should be backed by a potentially large hinterland consumption or otherwise be on a crossroad of a world-wide trade routes. The best example are the free ports of Hongkong and Singapore.

The independent nations free port is different from the first one in that, it provides commercial liaison service and trade to a hinterland and without any access to the sea. It might as well provide all conveniences so that foreign firms may invest and locate their plants in the country, the best examples are the free ports of Liberia and Monravis.

CHAPTER TWO

REVIEW OF LITERATURE

Not much has been said about the Free Zone activities in the form of scholarly publications. The port company sources contain articles and journals that discuss the rules and regulations enforced in the Free Zone area since its formation in 1930. It is rather difficult to review those sources as they are scattered and disorganized. Material as well as periodical and publications issued in 1960 and later are organized, placed in order and could be traced easily.

This chapter is formed to let the reader understand about the Port and the Free Zone from the early stages of construction starting with a historical background and the reasons for forming the Free Zone in the port of Beirut. Publications like La Zone Franche Du Port De Beyrouth by Colonna De Lega and Omar Daouk in the bi-weekly issue Le Commerce Du Levant are good references in the respect. The same references are used in the description and specification of the Free Zone and its operations, where as another reference like the Trafic Maritime Du Port de Beyrouth issued by the company du Port de Beyrouth participated in the discussion about the port company. The book titled The Lebanese Economy by Iskandar and Baroudi is quoted as a reference to show

the current condition of port of Beirut. Interviews are made privately with some officials in the port company to obtain supporting information concerning the effect of neighbouring ports and the competition to the port of Beirut.

Historical Background

Three factors were developed in the early thirties of this century, that participated in the formation and establishment of the Free Zone. These reasons were the motive to some Lebanese officials like Mr. Daouk in collaboration with foreign authorities to start working on such a project, building a Free Zone.

The first factor was the international crisis of 1931-1932 which affected Lebanon adversely, causing heavy economic loss. Low salaries accompanied by high unemployment, made life very difficult for most of the population. There were many bankruptcies in the business, low profits and a decrease in the regional transit trade.

The second factor was the division of the Ottoman Empire. One of the consequences of the division was the establishment of customs frontiers between Lebanon-Syria on the one hand and each of the following countries on the other: Palestine, Turkey and Iraq. Before the division of the Ottoman Empire, Beirut port was almost the only port in the region and the Arab peninsula. More than

two thirds of the port imports were destined to Damascus, Aleppo, Mosul, Deir el-Zor and Jerusalem. Only one-third of the imports were to be consumed in Lebanon. The transit trade which was our important source of income has been declining yearly. Everybody was aware of the situation and tried hard to make it better. The Lebanese economic press was publishing many articles advising the local government on different ways and means to be applied to ease the situation.

The importance of Beirut Port and its geographical location could provide trading facilities for the whole region. The Lebanese capital was the center for large American and multinational firms. This was in fact very true since liners could direct their cargo to a port which is situated more favorably than neighbouring ports and where a center of re-exportation could be developed. These two factors can be answered only by the existence of a Free Zone.

The third factor was the establishment and the threat of the port of Haifa. Beirut port has always been the leading port in the Arab states. It had a considerable advantage over the port of Haifa. However, in 1921, Haifa's big port construction project was under study. In the year 1923 the project was approved and work began. The port construction finished in 1933.

The alarm was given. Beirut authorities were strongly

afraid of the potential competition which could be expected from Haifa, being only 150 kilometers distant from Beirut, equipped with the most modern installation and connected by rail with Egypt, Jordan, Syria and the different cities of Palestine. One important innovation of the port of Haifa, was that many ware houses and docks were within a fence and goods were not taxed unless they were out of this fenced area. Being modern, bigger with larger potentials, Haifa port was able to monopolize the transit trade to the hinterland, especially to countries without a mediteranean port.

Beirut's first official response came in 1933 from the president of the Lebanese Chamber of Commerce. Omar Daouk, who clearly expressed the situation to the "Haut Commissaire" stating among many other factors, that the development of the transdesert traffic had increased during the last few days. In fact, transit between Iraq and Persia had increased in volume and value. Daouk stated that "both countries are studying a way of having an access to the mediteranean. Thus our port is mostly designed to be theirs if ever we can give what our competitors are offering them". (6) What he means was

(6) Omar Daouk, Le Commerce Du Levant, bi-weekly issue (Beirut: February 11, 1933).

the establishment of a Free Zone in the port of Beirut. The "Commerce du Levant" of that year commented on the issue that Lebanon and Palestine are lighting with energy and preservice for the Iraq and Persian traffic. (7) The question is of primary importance and fully justifies the efforts of the two countries. It is no more, no less than the answer to the Suez Canal. Some enlightened spirits considers that the attraction of this new India Route is more important than the Suez Canal itself. It was considered to be an indispensable solution to the lebanese economic regression at the time. Omar Daouk declared that "we will stop the decline of our trade and give it a new impulse in opening to our dealers a new field of action. It is the Free Zone the only possibility to give to our city a new era of economic and commercial prosperity". (8)

On the 28th of June 1933, Act number 91-IR was signed. It regulated the general regime of the Free Zone in countries under the french mandate. (9) As was anticipated by the economic press of that period, the institution of a Free Zone had had efficient effects on the lebanese

(7) Omar Daouk, Le Commerce Du Levant, bi-weekly issue (Beirut: February 11, 1933).

(8) Ibid.

(9) Colonna De Lega, La Zone Franche Du Port de Beyrouth (Beirut: January 1967) p.214.

economy. First of all, new services have been created by the Free Zone, such as brokerage, insurance, chauldering and port taxes, which have contributed to the increase in the national income of the century. Another boost to the lebanese economy was the creation of more employment opportunities which helped to increase the percapita income. Another consequence of the Free Zone was that it attracted many ships which have found chauldering and servicing facilities at low costs, thus transportation tariffs from and to Beirut tend to be reduced. At last, the exports of the lebanese products have been encouraged due to the manipulation and mixing of the local products with the foreign ones and the re-exportation of such mixed products abroad.

The Status Before 1974

The Port has fous basins, 20 hectars each. The warehousing capacity of the port are:

- covered customs bended warehouses of 32000 sq.mtrs.
- Uncovered customs bended warehouses of 6000 sq.mtrs.
- general stores real warehouses of 9200 sq.mtrs.
- general stores free warehouses of 1900 sq.mtrs.
- freezer warehouses of 2600 sq.mtrs. composed of thirty cold rooms with a temperature between -2 and 4 degree, eight rooms of -1 to -18 degree and two

freezing tunnels of -20 degrees . The total capacity of this warehouse is 5000 tons.

The port had handling equipment capable of lifting up to 50 tons, the quay equipment, the transport material plus mazout (oil) station and modern fresh water distribution system along the quay. There is a modern automatic fire extinguishing system which floods principal warehouses whenever the temperature exceeds 75 degrees centigrade. A fire brigade keeps a 24 hours watch, equipped with a fire boat and modern equipment.

Available Installations

The Free Zone installations are not equally divided among the different lots. On the contrary some lots are more advantageously equipped than other. This could be justified by the busy operations in some of these lots in terms of volume and amount.

Lot no. 1

The lot no. 1 has over and above the public warehouses, the three most important commercial and industrial installations in the Free Zone are the rugs market, the dry vegetables conditioning firm, and the guts conditioning firm.

Rugs market

The rugs market is a three stories building. the ground and first floor are divided into selling stores and the second floor is reserved for repairs, cleaning shops and mainly for stocks. Though modern, this building resembles to an orientalsouk by its central court on which are found all the selling stores.

This market sells in whole sale as well as in retails. The whole sale consists of important orders to the United States or Europe or the Gulf Arabic Countries mainly Saudi Arabia. The retail selling is as the whole sale, and is composed of the different individuals, Lebanese and foreigners, who visit the Free Zone rugs market, choose the rugs, pay the customs and enter them to the Lebanese territory. (10)

Though exposition and advertising for merchandise is allowed retail selling in any Free Zone is strictly forbidden; nevertheless, the originality and the interest of the Lebanese Free Zone consists in the rugs retail selling as well as in the dozens of important local and foreign rugs sellers.

(10) I will refer to this point when dealing with the negative economic effect due to the shut down of the free zone in the following chapters.

Dry vegetables conditioning firm.

This consists of a ten stories building.

It is served by the rail road. The port company rented the project to Alfred Skaf and Co. who completed the installations of all the necessary equipment which consist of the following:

- machine to clean the seeds of any dust or earth by an air blowing system.

- modern machine to calibrate and break up into many different sizes all of the agricultural seeds.

- Four gas rooms to disinfect and sterilize all of the agricultural products by a gas system, hence a long conservation can be insured.

- automatic balances which fill all the bags with an evenly equal weight and automatically saw them.

At least, a modern laboratory where all the necessary experiments are done, as the degree of impurity, sterilization and vitamins. The laboratory is the second floor where all the already conditioned products are kept. The first floor is reserved for the unconditioned and already arriving merchandises.

The most important economic consequences of these conditioning steps are a higher commercial value of these products because of their longer and guaranteed conservation. Being at last completely cleared of their waste,

the commodities are more economical in their packing as well as in their transport. (11)

Guts conditioning firm

The operations of this firm began in 1949, as the two stories building was constructed in 1948. Only the guts of goats and sheep arrive to the firm almost having a first stage of treatment. Because of their quick deterioration, they are cleared from their grease and salted in the place of origin.

Once in the firm, workers, in front of big buckets of water, clean them once more, calibrate them according to different standard length and width and pack them after they have gone through a long drying and salting process. Being packed, they are stored in big wood barrels where they are pressed for some time before being delivered to be sold.

The conditioned gut is used mostly (about 25%) in the high quality pork-butcher's meat industry as hot dogs and sausages of all kinds, the 75% are used by the highly competitive artificial gut which is by far cheaper and more convenient to handle. It can be used also for the strings of musical instruments, tennis rackets and in surgery as catgut. (12)

(11) Raoul Colonna. La Zone Franche du port de Beyrouth. (Beyrouth, January 1965) p.92.

(12) Ibid p. 94.

The places of origin of the untreated material are the neighbouring countries. Enumerated by order of importance, they are Iraq, Syria, Turkey, Iran, Lebanon and Kuwait.

There are also, in the lot no.1 four public warehouses:

- covered warehouses no.2 of 980 sq.m.
- covered warehouses no.10 of 880 sq.m.
- uncovered warehouses B.
- uncovered warehouses C.

Lot no. 2

In this lot there are only public warehouses and free land lots:

- covered warehouses no. 1 of 2500 sq.mtrs.
- covered two stories warehouses of 1500 sq.mtrs.
- uncovered warehouse of 4250 sq.mtrs
- a free land lot of 1900 sq.mts for automobiles parking surrounded by a fence.
- uncovered warehouse of 400 sq.mtrs.
- a huge visiting room of 1700 sq.mtrs.

Lot no. 3

In this lot there are shops for manufacturing clothes and a center for handling and mixing tobacco and at last one warehouse and free lands. Most of the cloth manufacturers in the Free Zone are textile whole salers who

distribute the imported textiles from their Free Zone warehouses to various Middle Eastern Countries. The use of the Free Zone for such purposes has been intensified during the sixties due to the increase in demand for ready made clothing by the newly opened oil rich arab countries.

The far Eastern and European competition forced some of the manufacturers to close down and others to recognize and modernize their production methods. At the same time, the existence of the Lebanese garment industry of the Free Zone of Beirut has been acknowledged and Lebanon has been recognized by the surrounding markets as a supply source of ready made clothing. Since then Lebanon has become the most important garment manufacturing center of the Middle East with organized and modern work shop. This progress was only up till 1975. From that year until the end of 1984, this industry was destroyed if not because of the events, the imported garments flooded our market from the far eastern countries through the illegal ports.

The number of manufacturers in the Free Zone was over 10 employing 600 operators and employees. These manufactured articles are mostly sold in Persian Gulf countries and particularly Saudi Arabia. Some African states, mainly Libya, began ordering large quantities

of shirts. The quantity is higher than the normal. The usual manufactured articles are shirts, pajamas, blouses, suits, coats and rain coats.

As far as the center for tobacco is concerned, it is a kind of a big store hold by the "Regie De Tabacs & Tombacs Libanaises" and where different kinds of tobacco are being imported from different countries. There are three centers of tobacco mixing in the free port in lot no. 3, 4 & 5.

Lot no. 4

This lot is mainly composed of rented land lots on which different kinds of shops have been constructed. Among these are the automobiles assembling work shops, where importers prefer to have their cars and trucks imported in many different elements instead of the usual one piece cars. The advantages they claim are that transport is more compact and thus cheaper and secondly, the packing is better and stronger. Another advantage is that the Lebanese wage worker is cheaper than the one abroad and thus assembling in the Free Zone is by far cheaper than assembling in production center. Many times the frame of a truck or of a bus is locally done in the Free Zone.

The other work shops are: the frurrepairs and manufacturing of fur clothes; the conditioning of

pharmaceutical products, and the treatment and mixing of perfumes.

There are also, in addition to the already mentioned installations the following:

- covered warehouse of 5500 sq.m. the largest and most important one in the Free Zone.
- covered warehouse of 1800 sq.m.
- covered warehouse no. 2 of 760 sq.m. and
- free lands for packing merchandise preparing them of shipping.

Lot no. 5

This lot has the following:

- covered warehouse no. 1 of 3600 sq.mtrs.
- covered warehouse no. 2 of 370 sq.mtrs.
- a free land for parking.

Lot no. 5 two warehouses: one is the Brazilian coffee warehouse of a total area of 3362 sq.m. and the second is the warehouse for the Argentine products, specially meat.

After we have discussed and described the different installations available, it will be interesting to specify the different use of the covered, uncovered and the free land. The free land is used for the parking of cars, trucks and agricultural heavy equipment. Uncovered warehouses are used for merchandise which do not deteriorate in the rain

and sun as building and sanitary materials, iron rods or pipelines. Covered warehouses are used for all other kinds of merchandise, specially those which cannot be left in the open air, valuable; easy to be stolen etc.. Dirty or dangerous merchandise is stocked in special warehouses where there are special equipment and workers to handle such kind of products.

In every warehouse, depending on whether it is a small or a large one, there are from 12 to 20 workers. The main ones are:

- one foreman who is responsible for the whole warehouse operations, as well as the incoming and going merchandise.

- four men, who are to register in as much detail as possible all the merchandise in the warehouse.

- two to four men under whose control all merchandise are placed in certain specified places near certain designated products. It is very difficult to find a package without their help.

- the rest are simple workers who carry the merchandise in and out.

I have to mention here that during the rush working days in the Free Zone those warehouses used to hire workers in addition to these they already employ and used to pay them on a daily basis. This body of extra workers constitutes nearly 25% of the whole workers group. in this case

extra amounts of wages are paid for additional work.

Free Zone Operations

Concerning the regulations governing the Free Zone operations, the entry is strictly forbidden to any person who does not have a special permit delivered by the port company. Customs as well as police officers can enter at any moment. Workers in the privately owned warehouses should obtain an approval by the port company and have a specific identification number which is considered as a pass-card. The owners are to be responsible for any accident, mistake or negligence by their employees. The customs as well as the port officers can at any moment search all the persons who are in the Free Zone.

The Free Zone open every day from sunrise to sunset except sundays. The doors are closed by a double set locks. One set of keys remain with the customs, and the other set with the port company. Representatives of both should be present to open the Free Zone.

It is prohibited to set fire, to smoke or even to have matches, candles or lighters for person of use by any person entering the Free Zone. Any warehouse or store owners who needs any electrical wiring or even a simple light in his warehouse, must present a detailed plan of the installations to the Company. (13)

(13) Marwan Iskandar & Elias Baroudi, The Lebanese Economy in 1981-82 (Beirut: MEEC, october 1982), p.72-76.

Merchandise Entry And Exit Rules

Any merchandise which enters the Free Zone have to preceeded by a demand formula, where all of the following are filled,, place of origin, nature , number of package, weight and the brand. In case the merchandise arrives by sea or land the authorities copy of the manifest or the official documents should be presented. At the entry of the merchandise to the Free Zone, customs officers are entitled to open all packages, bags and boxes to check whether if corresponds or not to the official documents. After that the port company takes it directly to its own public warehouses unless the owner has a private warehouse and asks the company to stock it there. The owners of private warehouses and stores are obliged by the law to keep books and records for the entry and exit of their merchandise to be represented for inspection to the local authorities.

Formation of the Port Company

An agreement concerning the Lebanization of the port was reached on May 31, 1960; it became affective on January 1st 1961. The official publication of this decree in the monthly issues of Le Commerce du Levant states:

- a- The french company, "La compagnie du port, des quaies et entrepots de Beyrouth" because a Lebanese Company under the name of "La Compagnie

de gestion et d'exploitation du port de Beyrouth".

- b- The head quarters of the company was to be in Beirut and its concession was not to expire before Dec. 31, 1990.
- c- The company was to be administrated by a board of directors composed of five to twelve members elected from the shareholders.
- d- At least half of the board members are to be at Lebanese nationality, a minimum of 51% of the shares are to be owned by lebanese citizens.
- e- The net profits are to be divided as follows:
 - 10% reserves for contingencies. These reserves deductions would stop to be obligatory when they amount to one third of the capital.
 - deduction of 4% is the necessary amount to cover dividend and preferred stock.
 - new deduction made by the general assembly, if it is agreed to be necessary.
 - the remaining sum after all of these deductions are made to be divided as follows: 10% to the board of directors and 90% to the shareholders to be divided equally among shares. (14)

(14) Le Commerce Du Levant, Monthly issue No. 4
(Beirut: December 1960), p.76-77

In the year 1960, L'economie Libanaise et Arabe discussed some of the reasons that led to the growth of the port. It stated that, according to the length of its quays and the area of its warehouses and lands, the port of Beirut is twice as large as the generally accepted norms. The company was in favour of the port enlargement and began studying in 1957 a project for construction of the third basin. The project was well under study when the question of the Libanization of the port was opened. All considerations were stopped until further decision on the later issue. (15)

The growth of the Free Zone took few years from its formation in 1934. In fact the whole period between 1934 - 1939 was an adaptation period for the new institution.

The area of the Free Zone was 8300 sq.mtrs., within which were covered and uncovered warehouses, where businessmen were able to stock goods and manipulate them. Out of the 8300 sq.mtrs., 3750 sq.mtrs. were bare lands and stores to be rented to businessmen. By 1937, the Free Zone was satisfactorily and steadily developing. Traffic was increasing continuously. In the year 1938 more warehouses were modified and new land was based. This

(15) Le transit et L'avenir du Port de Beyrouth, L'Economie Libanaise Et Arabe (Beirut, May 1961) p.21

development, however was completely interrupted by the war, with the result that the traffic decreased rapidly till the end of the war in 1945. In the year 1946, more lands were added to the Free Zone reaching 26200 sq.mtrs. It was the year when the first industrial zone started operating. In 1948, the total area was increased to 31400 sq.mtrs. Rentees of bare lands had the right to build on their lots at their own expense like small warehouses, stores, repair or mechanical outfits. (16)

The Free Zone traffic began to increase rapidly owing to the combined efforts of the port company and the Lebanese business community. The volume of traffic in 1949 was 139076 tons as compared to 97010 tons in 1948, which represents an increase of 47% in one year. The total number of rented land parcels was 58, of which 12 were newly registered in 1949. (17) Rail transport connected the major parts of the Free Zone. In 1952 it was connected to the main line to Tripoli. It was decided to fix the number of entrances to the Free Zone at six, and to give responsibility for fencing the whole

(16) Colonna DeLega, La Zone Franche Du Port De Beyrouth (Beirut: January 1965) p. 55-56

(17) Compagnie Du Port De Beyrouth, Traffic Maritime du Port de Beyrouth, Statistiques divers (Beirut: 1958) p.11

area, which was already 106000 sq.mtrs., to the port company. At present the Free Zone area is 122900 sq. mtrs. (18) The port company was also responsible for the construction of two rooms which were to be placed at the disposition of the customs dept. for checking all domestic consumption of good from the Free Zone inside the country.

Effect of Neighbouring Ports

It is very important to understand the efficiency of the neighbouring ports of Latakia, Akaba and Basra and the role they are playing in competing with the Lebanese Free Zone. What are their facilities and how they can effect the Beirut port operations.

Port of Latakia

The syrian government, in the late sixties, enacted a series of measures, which resulted in our increase in Latakia port traffic. Many imported products, such as, timber, iron, cement, sugar and asphalt were required to enter through the port of Latakia. The same was true with some exports, such as, wheat, cotton and other cereal. Moreover Latakia is the natural port for the

(18) Colonna DeLega, La Zone Franche Du Port De Beyrouth (Beirut: January 1965), p.73

agricultural products of the northern Syria. Naturally, this constitutes a great threat to the port of Beirut.

Port of Akaba

As in the example of Latakia, other arab countries have tried to develop their port facilities. Since the time when Jordan stopped using the port of Haifa, which was a very convenient and natural port for her, trade was diverted to the port of Beirut. in fact, after Syria started to use port of Latakia, Jordan because the country with the greatest usage for transit trade through the Beirut Free Zone.

However, the Jordanian government decided in 1951 to construct a modern port in Akaba which was done in 1960. At present, Akaba is a very modern port, connected by highway to Amman. It is now in a favourable position to attract part of the merchandise transiting through Beirut port. The imports through Akaba are mainly sugar, wheat and military equipment. Exports are mainly phosphates which are shipped to Japan and India.

Port of Basra

It is the main Iraqi port on the Arabian Gulf. It is located at the intersection of the Tigris and Euphrates rivers. It is a large port with modern equipment. The

only draw back is that the merchandise disembarked in Basra has to be transported 450 kmtrs. to Baghdad and 1000 Kmtrs to Mossul. So for goods imported from Europe or U.S.A. Beirut or Latakia ports are definitely the shortest roads to reach these cities.

CHAPTER THREE

THE FREE ZONE EFFECTS ON THE LEBANESE ECONOMY

Being a free interprised country, Lebanon played and important role in the regional trade. The services Lebanon used to provide in their respect are considered to be the major link between the West and the Middle East. The Free Zone of Beirut port was the main gate through which most of goods and merchandise passed in and our of the region. This busy transaction in the Free Zone and the transit paid its benefits and for years to the Lebanese economy. It is the vital source that contributed heavily to the economy and the following are some institutions and components that participated in the progress of the lebanese economy.

Manufacturing Firms

Among the many manufacturing and conditioning firms in the Free Zone, the cloth confection firms are the most important. Their number amounted to 19 firms, having more than one thousand employees working in modern and perfectly up to date factories. The examples are chosen from the sewing firms which are most respresentative of the Free Zone manufacturing firms.

Advantages over the Lebanese Products

An important advantage is that they do not have to pay custom duties on the cloth material and many necessary items needed in confection as thread, linen, buttons, nylon bags to warp the finished item, and at least, paper and card board boxes for final presentation. The main reason for this is that they buy them from merchants in the Free Zone or import them on their own account to the Free Zone.

Advantage Over the Foreign Products

The European and the American products are considered in this respect. In the ease of cloth manufacturing, all the primary material are foreign made. For there material to arrive Beirut the insurance and freight are considered to be 7% from New York to Beirut, and 5% costs from Beirut to New York. Generally, the Beirut - New York fares are 30% than the New York - Beirut, because lebanese exports are much less than the imports and liners have always available space while returning. The Lebanese labour specially in the shirt manufacturing is equal to 50% of the finished product in Lebanon. (19)

Therefore, in calculating the final cost of a finished product in the Free Zone of Lebanon, the following

(19) In Lebanese labor is 33% cheaper than labour in USA. At present the differential could be much higher.

items are included showing the difference in the labour cost.

		<u>Lebanon</u>		<u>USA.</u>
Material	L.P.	200	L.P.	200
Labor cost		200		300
insurance & freight		34		-
		<hr/>		<hr/>
	L.P.	434	L.P.	500

The Lebanese can mostly compete on sports wear, sports jackets, trousers and shirts. Twenty-five percent of the manufactured shirts in the Free Zone are sold in the Lebanese market and 75% in the Arab Countries: Iraq, Kuwait, Iran, Nigeria and North Africa. Still another advantage, the Free Zone brings to local manufacturers is that it reduces the cost of some materials, by the relatively reduced margin of profit when these materials are brought in the Free Zone.

The comparison is illustrated as follows: (20)

	<u>Bought on the market</u>		<u>Bought in the Free Zone</u>
	L.P.		L.P.
cost	100	cost	100
customs	40	15% margin	15
	<hr/>	profit	<hr/>
	140		115
15% margin profit	21	customs	40
	<hr/>		<hr/>
	161		155

(20) Customs duties (40%) are always paid on the original cost of goods the (100).

Another important point to take into consideration is that the Free Zone helps the manufacturers by offering them a large variety of materials to choose from, and a better product, in the easiest and cheapest means. This is because the Free Zone has thousand of items which are not primarily meant for the Lebanese consumption but warehoused for any prospective international customer usually for an Arab market. All the mentioned advantages help the Lebanese product to be more competitive with the Western and Arab markets and thus be cheaper for the Lebanese consumers, which in turn tends to raise their standard of living.

Effects on Businessmen

The existence of the Free Zone has been very beneficial in many ways to the Lebanese businessmen. The most important of them all, in my point of view, has been the attraction towards the Free Zone of all kinds of merchandise coming from all parts of the world most of which destined to be re-exported towards other countries. Thus the Free Zone has been more like and international market all kinds of products are found. Businessmen from everywhere in the Arab world come and choose the products they need to export to their countries. In the rugs bazar, for example, there used to be the best collection of rugs which may be difficult to find even in Iran.

All of these transit trade and turnover benefit, the Lebanese middleman who buys at a price and sells at another. However, this does not profit the middleman only, but also the Lebanese worker, the Lebanese transport companies, and the port company itself, all of which make a profit out of the trade carried out in the Free Zone. Even businessmen who are working in the Free Zone benefit also from it.

Many firms in Europe do not export except in certain quantities and the more the quantity is, the less the price per unit. Many average businessmen in Lebanon do not need the requested quantity imposed on them by the foreign firms, mainly because of the limited market but also of their capital equity which forces them to diversify their risks by dealing with different kinds of articles.

These businessmen, during the closure of the Free Zone, which has been the case for ten years, would have either to undertake a big risk of having to import a larger quantity, or the remaining without that special article. But with the presence of a Free Zone, they buy these materials in the Free Zone at a cheaper price than if they had to import them; moreover, they have the advantage of choosing out of line any measures, colors, specifications they need.

An interesting case is of an important local bank, which has hired large warehouses in the Free Zone, where they

usually stock all the merchandise of their customers. In addition to making its normal gain on the letter of credit, banks used to make an extra profit on the warehousing and handling charges of the merchandise. In case the customer withdraws his merchandise by small quantities, it is under the direct control of the bank, in case of default, the bank has the merchandise in its own warehouses, so it does not have to follow any procedure to legalise it or pay any extra charges neither to the port nor to the governmental officers. (21)

Another advantage, businessmen used to get out of the Free Zone, and this is a consequence of all the trades transit due to the Free Zone, is the availability of some transport facilities and their cheapness. This is mainly due to the increasing movement in traffic, export and transit trade, which were taking place in the Free Zone up till 1975. Freight was always available from the Free Zone and liners instead of going from Beirut almost empty, always carried freight to be transported to many parts of the world, which is not the case these days. This perpetual turnover of coming and going of merchandise, encouraged sea transport to Beirut and reduced its costs.

(21) information secured by the bank's management represented by Mr. Awad.

Effects On Customs Revenues

Many shrewd Lebanese businessmen take advantage of some of the Free Zone liberties to their advantage to avoid the regular Lebanese customs duties by any possible means, either by distortion of the law or simply by swindling. Taxes are thus being avoided from the Lebanese customs, resulting in lower customs revenues. This will be cleared by the illustration of some examples.

1- Cardboard Case

Generally all cardboard imports pay approximately 40% customs duties. However, in order to encourage the export of Lebanese fruits, a law promulgated by which all perforated cardboard boxes destined to the fresh fruit exports were to be exempted from any customs payments. (22)

So Lebanese farm agriculturiers began importing cardboard sheets to the Free Zone and manufacture the needed boxes there, to avoid the huge difference in the labor and transport costs, and enter them to the customs territory without any tariffs. Once this law became known, any businessmen proceeded on the same basis, by declaring that they had fresh fruits to export, while in

(22) Information privately secured by interviewing port company officials.

reality the perforated cardboard boxes were destined for books, canned food, novelty articles, etc.. The customs officers have not been able to have a strict control over this case. It is estimated that more than 70% of the cardboard boxes declared for fresh fruits transport are used for many other purposes, and are avoiding the payment of customs tariffs.

2- Whisky case

Customs on whisky imports is around 200%, this may vary depending on the policy of the government. In Lebanon, all foreign embassies are provided for with as many whisky bottles as they need, for their personal use, without any customs duties payments. However, there are many swindling cases. Bottles of whisky which have been originally declared as for an embassy's personal use, are being sold secretly in the market with some price reduction. Moreover, many institutions in the canned food business have whisky warehouses among many other things in the Free Zone.

In general, in any Free Zone in the world, some percentage of leakage is considered to be normal from the smooth and regular operations of the institution. It is considered to be about 10% of the local consumption traffic passing through the Free Zone. Lebanon, however

exceeds this percentage; it is estimated to be 15 to 20% of the local consumption traffic passing through the Beirut Free Zone. (23)

Effects on Employment

In addition to all the advantageous effects of the Free Zone on different institutions, we should not forget one small yet very important effect, and that is its effect on macroeconomic ground. The Free Zone provides employment for more than one thousand five hundred persons. Some one hundred and seventy labours work in the Free Zone for the port company, and the others are hired by private institutions. (24)

Yet it is difficult to know the exact number of employees working in the Beirut Free Zone, because most of them are privately hired, and their number increases or decreases depending on seasonal work. The port company officials evaluated the number of employees - in both private institutions and - to be around 1700.

Therefore, the Free Zone reduces unemployment in the country, provides income to many families, which in

(23) Information secured by interviewing officials in the port company customs division.

(24) Source: chamber of commerce, interview with Mr. Sabah.

turn tends to raise their standard of living, and ultimately it increases the National Income of the country. But unfortunately, this is not the case in Lebanon. Since 1975, the Free Zone is destroyed, the unemployed have increased the standards of living are falling and finally the National Income of Lebanon is in a complete chaos. (25)

The Lebanese statisticians have defined that there exists three classes of unemployed groups in Lebanon. The group are those who have never been employed. The second group are those who work seasonally. The third group are those who have lost their jobs. The number of the first group is 3585 persons in Beirut and 2805 in the suburbs. The figure of unemployment in all other Lebanese cities is 2325. As for the workers, they count 3375 persons in Beirut. But they reach much higher and disturbing proportions counting 11400 individuals in the rural areas during less agricultural activity period. (26)

The third group are the unemployed in the real sense of the word who have lost their jobs. They are not more

(25) Source chamber of commerce, interview with Mr. Sabah.

(26) Chamber of Commerce, L'Economiste Arab, vol.22 No.246 (Beirut: May 1979).

than 5400 persons in Beirut and 4875 in the suburbs.

They are in majority administrative employees and unskilled workers.

Table (1)

The Unemployment Labours In Lebanon
Compared to Other Active Groups Accoring to age
In the Year 1979

<u>Age</u>	<u>First Job Holders</u>	<u>Unmeployed</u>	<u>Employed</u>	<u>Total work Force</u>
15 yrs	1005	90	17775	18870
15-24	12675	5355	119715	137745
25-34	1980	4740	134505	141225
35-44	285	3615	123855	127755
45-64	105	3195	118365	121665
65 & above	30	675	23580	24285
indetermind	-	15	615	630
Total	16080	17685	538410	572175

The Labour force used to work in the Free Zone counted 1700 workers, out of which 170 labours were still working in 1979 where as 1530 workers were left with no job, no pay and hence unemployed. According to this logic the un-employed due to the closure of the Free Zone contributed to the overall rate of unemployment in Lebanon in 1979 by 8.65%.

This was the situation up till 1970, but after that year and until 1984, the political and economical conditions became worse, for example, the events took place from 1981 till 1984 lead to more destruction, less traffic activities and operations, hence more unemployed. Unfortunately no unemployment rate for the past seven years is obtainable.

The only recent figures obtained about unemployment are from local newspapers. Mr. Antoine Bechara head of the labor union in Lebanon, stated that the unemployment rate is 60%. (27) Another source said that 7000 workers were unemployed in 1983. (28)

Effects on the Balance of Trade

Another indicator which explains the negative effect due to the closure of the port of Beirut. The Free Zone and transit area, is reflected on the foreign trade movement and the balance of trade.

Lebanon has a high propensity to import, estimated at around 50 - 60%, and the foreign trade sector has traditionally accounted for a substantial proportion of economic activity. In view of its limited resource base, and its heavy reliance on the services sector, Lebanon has always

(27) Al Nahar newspaper dated 14/10/1983.

(28) Al Nahar Arab & International No. 327 dated 14/8/1983

suffered from a large trade deficit, which has always been more than offset in turn by a surplus and capital accounts.

Foreign trade activity was considerably affected by the hostilities in 1975 - 76. The huge losses sustained by the private sector, particularly industry led to a sharp drop in merchandise exports from L.L. 1.74 to 1.43 billion in 1975 and then to L.L. 800 million in 1976, or by 54% from 1974 to 1976. Imports also declined sharply from L.L. 5.6 billion (CIF) in 1974 to L.L. 2.6 billion in 1976, or again by around 54%. The decline in imports resulted both from the drop in demand and the fact that merchants were reluctant to replenish stocks under the conditions prevailing at the time, especially those who had sustained heavy losses in the form of burnt or looted merchandise. Another major cause of the sharp drop in exports and imports during the period in question was the closure of the port of Beirut for most of 1976.

With the return of normal life in 1977, foreign trade activity picked up again. Exports rose by 196% to L.L. 2.4 billion, while imports increased to 5.89 billion (CIF). In 1978, exports dropped again by around 18% because of the closure of the port of Beirut during the second half of the year. Imports, however, increased by 2% largely because of the activity of illegal ports. In 1979, exports rose once more by around 40% to an

estimated L.L. 2.7 billion, while imports reached an estimated L.L. 7.5 billion.

The steady growth in merchandise imports and exports continued in 1980 and 1981. Estimates prepared by the chamber of commerce indicate that exports attained L.L. 16 billion in 1980 and L.L. 5.45 billion in 1981. Imports, on the other hand, amounted to an estimated L.L. 10 billion in 1980 and L.L. 12 billion in 1981. On the basis of estimated exports and imports in 1980 & 1981, it may be concluded that Lebanon's trade deficit increase from L.L. 5.8 billion in 1980 to L.L. 6.6 billion in 1981, or by 13.7%. (29)

The trade deficit in 1983 was much larger than in 1980-82, as indicated by the fact that the deficit for the first half of the year was around 1 billion L.L. less than that for the whole of 1982. This again was due to the sharp decline in exports and re-exports at a time when, as indicated by data for the first half of the year, imports remained steady. (30)

Table (2) shows the import, export transactions from 1965-84 expressed in Lebanese pounds. This table explains the evolution of the foreign trade, the commercial deficit and the coverage ratio during the same period of time, from 1965-1984 expressed in millions of Lebanese pounds.

(29) Marwan Iskandar & Elias Baroudi, The Lebanese Economy in 1981-82 (Beirut: MEEC, October 1982). p. 177, 183

(30) Marwan Iskandar & Elias Baroudi, The Lebanese Economy in 1982-83 (Beirut: MEEC, April 1984) p. 300

Table (2)

Evolution Of Foreign Trade (In Millions).

<u>YEAR</u>	<u>IMPORTATION</u>	<u>EXPORTATION</u>	<u>COMMERCIAL DEFICIT</u>	<u>COVERAGE RATIO</u>
1965	1964	324	- 1360	0.19
1966	1914	370	- 1544	0.19
1967	1770	453	- 1317	0.26
1968	1865	510	- 1355	0.27
1969	2006	554	- 1452	0.28
1970	2252	651	- 1601	0.29
1971	2452	815	- 1637	0.33
1972	2902	1168	- 1734	0.40
1973	3787	1599	- 2188	0.42
1974	4200	1740	- 2460	0.41
1975	3850	1425	- 2925	0.37
1976	1800	800	- 1000	0.44
1977	4500	2364	- 2136	0.52
1978	5100	2161	- 2939	0.42
1979	7500	3026	- 4474	0.40
1980	10000	4160	- 5840	0.41
1981	12500	5444	- 7056	0.43
1982	13100	5256	- 7844	0.40
1983	15500	2694	-12800	0.17
1984	14800	2462	-12338	0.16

Source: Traffic Maritime Du Port De Beyrouth, "Statistique Diverses".

Effect on Beirut Port Traffic

This section is discussed taking into consideration the complete destruction of the Free Zone's facilities, and the closure of Beirut port for months during the civil war. So the general traffic of the Beirut port was effected seriously by the events.

It would be clearer to study the competitive state of the port of Beirut since 1965. A period of ten years is enough to show the busy and healthy traffic in the port. This traffic under natural and peaceful situation used to increase by about 10% every year as shown in Table (3) and the graph (I). Since the year 1975 the Free Zone was closed and most of the merchandise were stolen or burned. This is shown in Table (3) and the graph (IV). The third graph is related to table four showing traffic progression of merchandise in the transit from 1965-1974. Graph (IV) completes the information of the first three graphs but from 1975-1984.

Table (3)

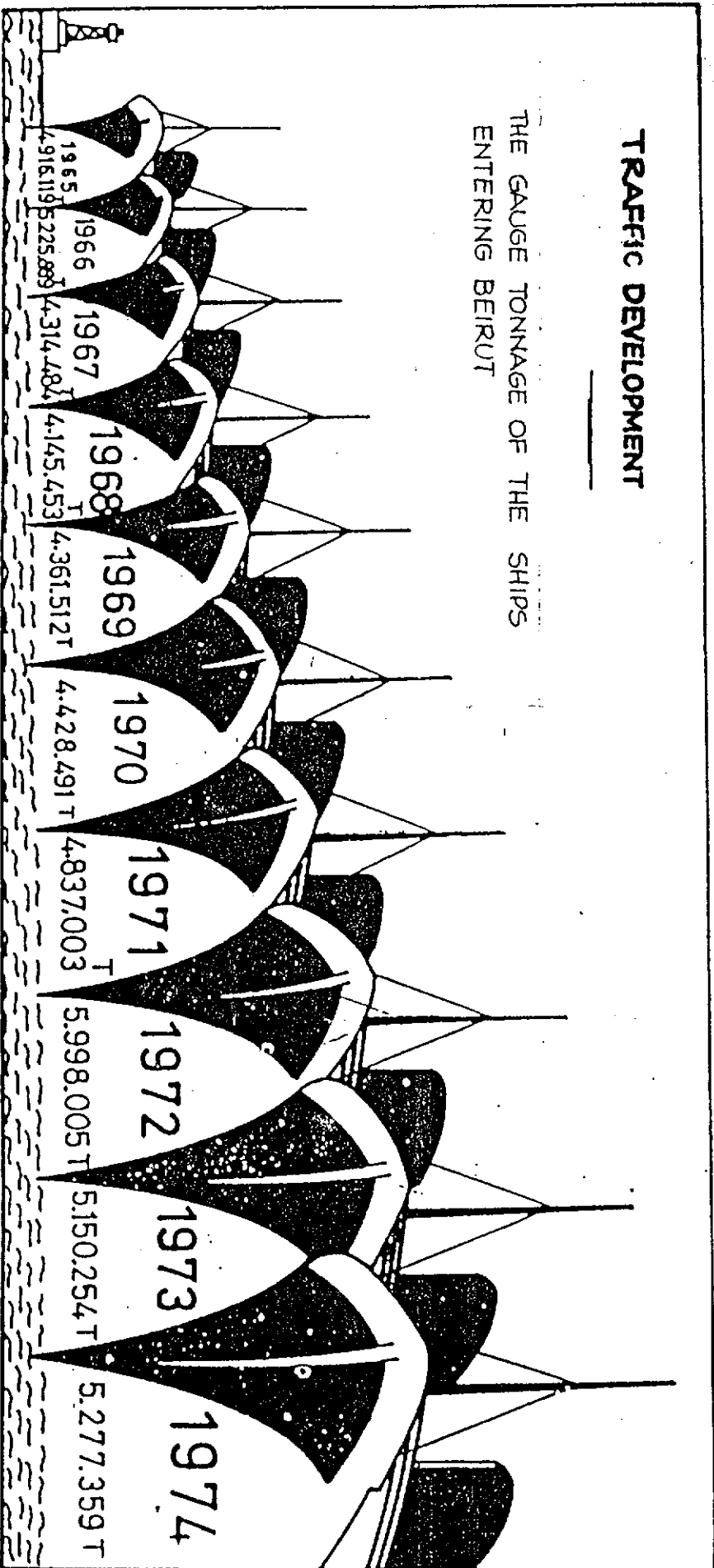
MOVEMENT OF NAVIGATION (1965 - 1984)

<u>YEAR</u>	<u>STEAMER SHIPS</u>		<u>SAILER SHIPS</u>		<u>TOTAL</u>	
	<u>Number</u>	<u>Tonnage</u>	<u>Number</u>	<u>Tonnage</u>	<u>Number</u>	<u>Tonnage</u>
1965	2226	4867886	751	48233	2977	4916119
1966	2453	5176555	747	49334	3200	5225889
1967	2329	4282164	431	32320	2760	4314484
1968	2481	4115696	398	29757	2879	4145453
1969	2700	4327512	426	34000	3126	4361512
1970	2685	4385247	443	43244	3128	4428491
1971	2910	4790713	410	46290	3320	4837003
1972	3265	5958425	329	39580	3594	5998005
1973	3098	5112983	317	37271	3415	5150254
1974	3373	5251315	239	26044	3612	5277359
1975	2741	4289638	118	14079	2859	4303717
1976	N O T A V A I L A B L E					
1977	2673	3107013	110	13352	2783	3120365
1978	1788	2542256	64	7693	1852	2549949
1979	2176	2823104	81	10245	2257	2833349
1980	2574	3593419	158	22281	2732	3615700
1981	1979	2788292	116	15787	2095	2804079
1982	1862	2722172	49	6796	1911	2728968
1983	2859	4494685	90	13200	2949	4497885
1984	1212	1997900	36	5720	1248	2003620

Source: Traffic Maritime Du Port De Beyrouth, "Statistique Diverses".

TRAFFIC DEVELOPMENT

THE GAUGE TONNAGE OF THE SHIPS
ENTERING BEIRUT



Source: Compagnie Du Port De Beyrouth, Traffic Maritime Du Port De Beyrouth, Statistiques Diverses (Beirut: June 1974) p.3

Table (4)

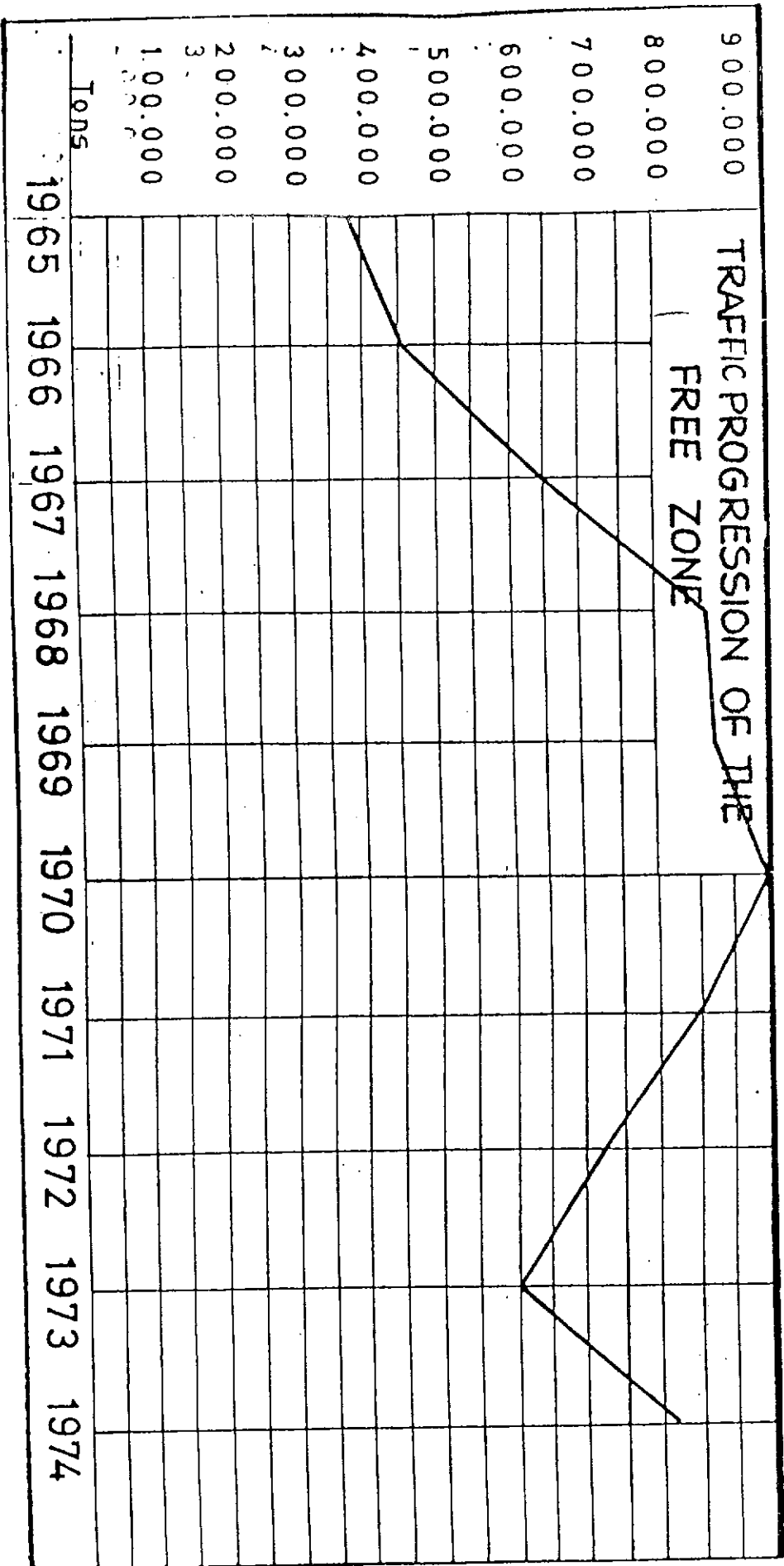
Traffic in the Free Zone and the transit areas

(1965 - 1984)

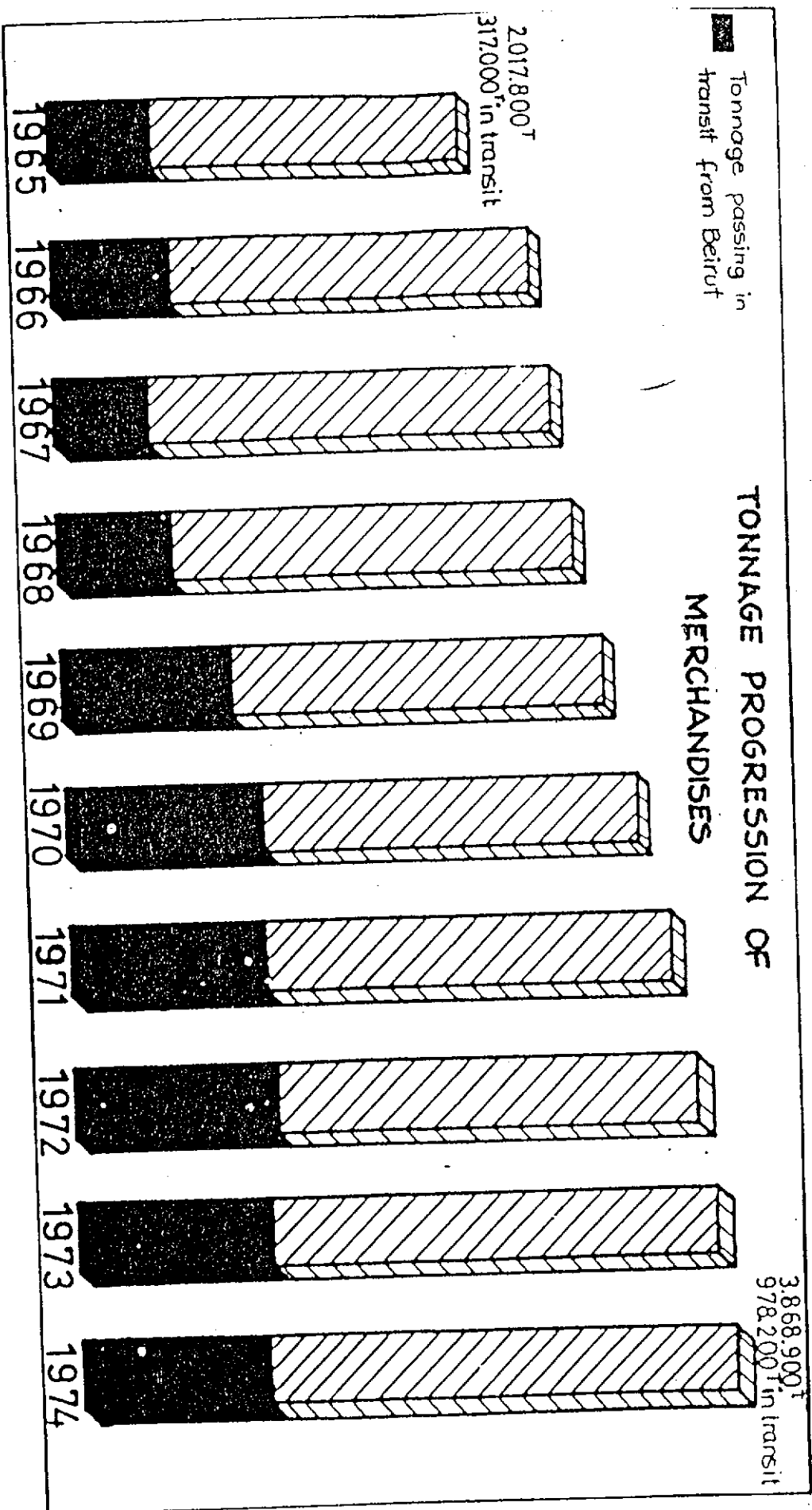
In Tons

<u>YEAR</u>	(a) <u>FREE ZONE</u>	(b) transit	(c) <u>CUSTOMS</u> transit	(d) <u>TOTAL TRAFFIC</u> of the F.Z.	(e) <u>TOTAL TRAFFIC</u> of the transit
	Local consumption			a+b	b+c
1965	132300	238000	79000	370300	317000
1966	125000	312200	91600	437200	408800
1967	88600	571200	71500	659800	642700
1968	85700	783200	82500	868900	865700
1969	108500	766600	88000	875100	854600
1970	145200	808000	98300	953200	906300
1971	147500	705900	190300	853400	896200
1972	136000	579800	216400	715800	796200
1973	139800	460600	299000	600400	759600
1974	148300	675500	302700	823800	978200
1975	125600	700000	214200	825600	914200
1976	Not Available				
1977	30800	62400	204500	93200	266900
1978	19300	45000	167500	64300	212500
1979	13600	15600	137600	29200	152800
1980	7900	12700	204600	20600	217300
1981	7600	36700	158700	44300	195400
1982	4300	21600	67000	25900	88600
1983	1400	3400	89700	4800	93100
1984	126	200	87500	326	87700

Source Traffic Maritime Du Port de Beyrouth, "Statistique Diverses".



Source Compagnie Du Port de Beyrouth, Traffic Maritime Du Port de Beyrouth, "Statistique Diverses", (Beirut: June 1974) p.3



Source: Compagnie De Port de Beyrouth, Traffic Maritime Du Port de Beyrouth, "Statistique Diverses", (Beirut: June 1974) p.3

Fig. A

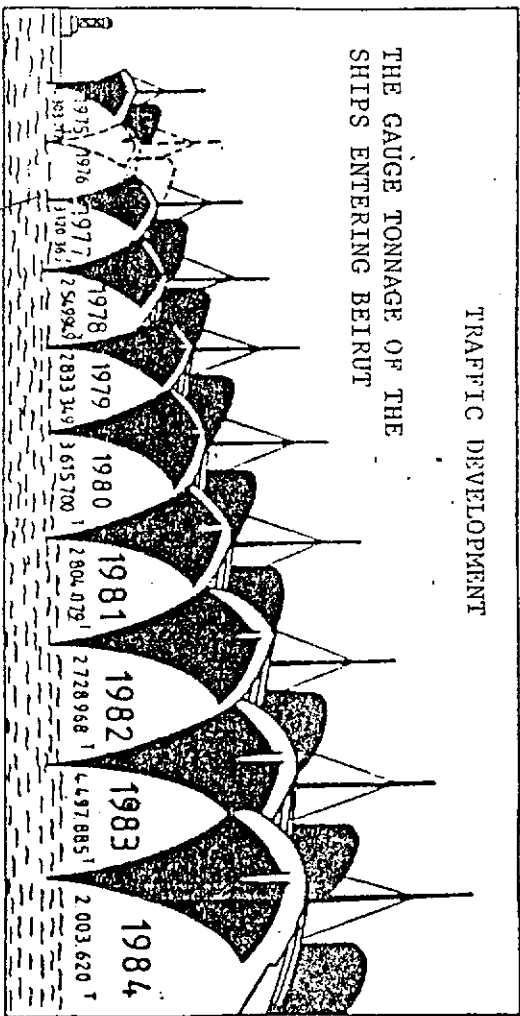


Fig. B

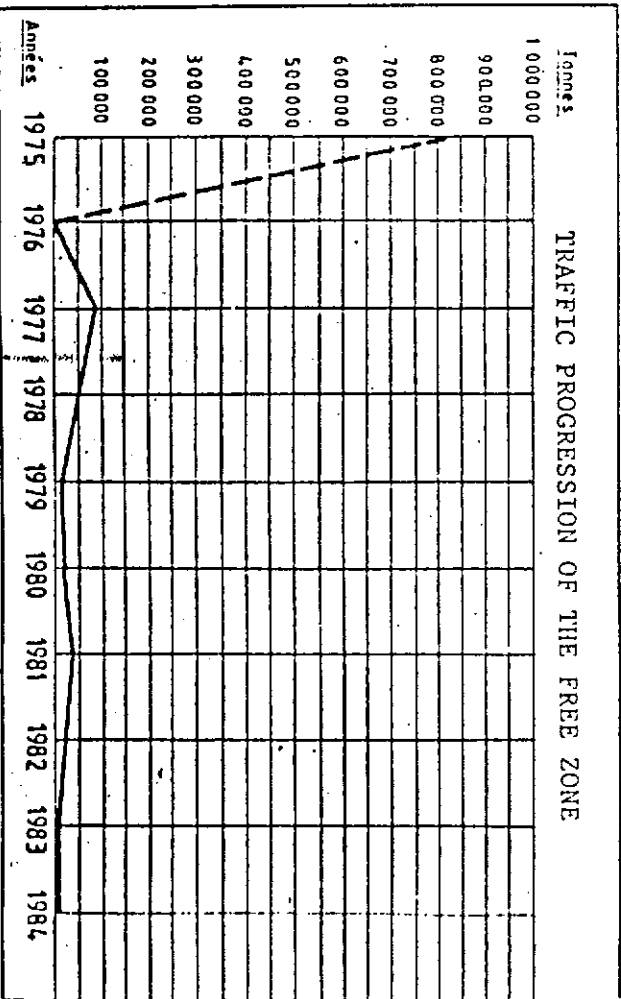
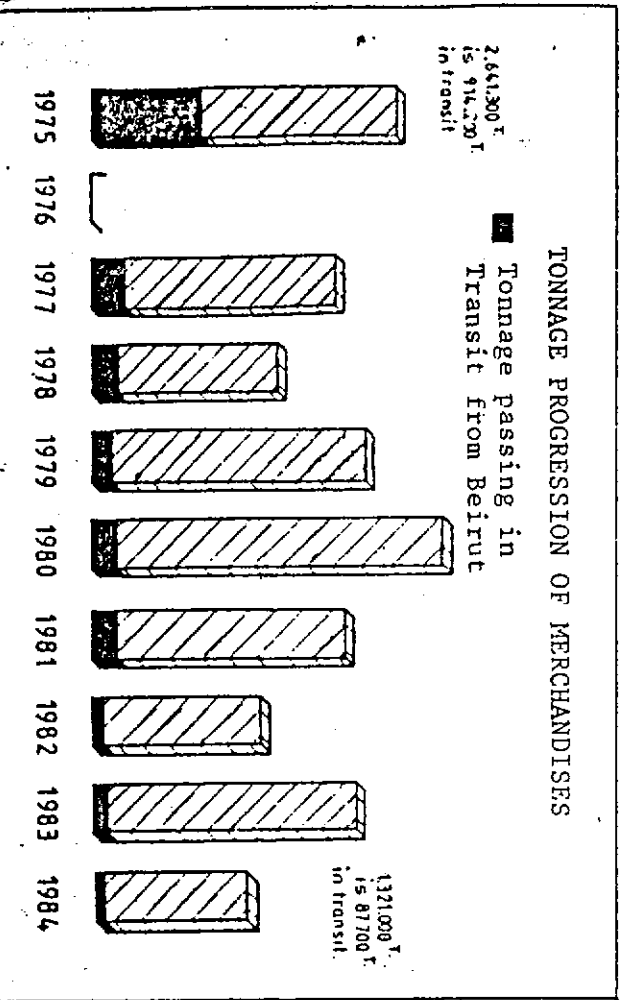


Fig. C



Source: Compagnie Du Port de Beyrouth, Traffic Maritime Du Port de Beyrouth, "Statistique Diverses" (Beirut: June 1974) p.4

As we examine the figures in table 3 the following is noticed: during 1967 the figures were less effected by the Israeli Arab war.. The years 1979 and 1980 showed an acceptable movement compared to 1981 due to hostilities against some busy and residential areas. The year 1982 was effected by the Israeli invation to Lebanon, whereas 1983 shows improved figures due to security reinforcement by government which was lost on 1984.

The Transit Customs in table 4 shows the goods in tons heading to neighbouring countries without passing through the Free Zone, i.e not destined to Beirut, where as the transit area in the Free Zone shows the goods which are destined in Beirut but for some reason were re-exported through the transit area to the other countries, the rest in the Free Zone will be locally consumed. The transit traffic in the Free Zone shows higher figures than those consumed locally and up till the year 1970, the total traffic of the Free Zone marked a higher tonnage figure than the transit figure. This movement shows how important both areas are to the lebanese economy as it was considered the link or the gate between the West and the Middle East.

Table (5)

Loaded and unloaded cargo at the Port of Beirut
(1965 - 1984)

<u>YEAR</u>	<u>DISEMBARKED TONS</u>	<u>EMBARKED TONS</u>	<u>TOTAL TONS</u>
1965	1716934	453310	2170244
1966	1811026	466391	2277417
1967	1704637	583538	2288175
1968	1915900	654368	2570268
1969	1995447	700033	2695480
1970	2289321	728144	3017465
1971	2456517	626384	3082901
1972	2666821	677378	3344199
1973	2819534	717870	3537404
1974	3411546	667841	4079387
1975	2434277	395343	2829620
1976	Not Available		
1977	2047239	140151	2187390
1978	1664395	137218	1801613
1979	2373851	225935	2599786
1980	2731587	248056	2979643
1981	2195499	287531	2483030
1982	1788832	96714	1885546
1983	2546262	105640	2651902
1984	2137738	156878	2294616

Source: Traffic Maritime dn Port de Beyrouth,
"Statistique Diverses".

In general the cargo movement kept busy even though the 1984 figure of total tons shows 2294626; almost half of that of 1974, this is justified by the role of illegal ports operating for the past ten years of civil war. The actual cargo movement in both legal and illegal ports shows higher figures than those obtained from the official sources only .

CHAPTER FOUR

CONCLUSION

The war of Lebanon erupted in 1975 paralyzed the Lebanese economy and eventually led to the closure of the Free Zone in the port of Beirut. This closure obviously had a negative impact on transit, employment and balance of trade. This study is designed to demonstrate the progress of various operations at the port of Beirut for the period extending from 1965 till 1974 as well as the sharp decline of the same sectors from 1975 till 1984. The contradiction of these two periods is highlighted in the analogies drawn in the tables and charts that reflect the traffic development, the transit progression of merchandise, and the traffic progression of the Free Zone during the first period, on one hand, and the relatively drastic decline projected in all the sectors during the second period, on the other. Needless to say that with the closure of the port of Beirut, in general, and the Free Zone, in particular, Lebanon was and still is deprived from an essential financial resource whose benefits were discussed at length in this research.

Assuming that the Free Zone resumes its operation under normal conditions the following are some of the suggestions and recommendations. Rebuilding and

modernizing the port facilities will be crucial so as to combat neighbouring competition because neighbouring countries' port operations flourished at the expense of Lebanon's failure to offer the necessary services. The creation of a huge terminal with high capacity will be appropriate to comply with them demand of receiving and storing of goods from all countries that maintain trade relations with Lebanon. The geographic location of Lebanon, the know how of trade and international relations of the Lebanese are strong assets that will hopefully ensure the recovery of the port operations and its Free Zone when coupled with technological know how along with tight security measures.

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INTERVIEWS

Mr. Awad, manager of a local bank in Beirut.

Mr. Ghoson, head of statistics dept. in the company
of the port of Beirut.

Mr. Philippe, manager of a foreign bank in Beirut.

Mr. Samaha, loading and unloading dept. in the
company of the port.

